

Financial Report

New Orleans Musicians Assistance Foundation

December 31, 2011



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 17 2012

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
New Orleans Musicians Assistance Foundation,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of New Orleans Musicians Assistance Foundation (the "Foundation") (a nonprofit Foundation) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated June 29, 2012 on our consideration of the Foundation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 29, 2012.

STATEMENT OF FINANCIAL POSITION**New Orleans Musicians Assistance Foundation**

December 31, 2011

Assets

Cash	\$ 807,774
Certificates of deposit	629,552
Accounts receivable	6,910
Government grant receivable	55,733
Property and equipment, net of accumulated depreciation	<u>3,952</u>
Total assets	<u><u>\$ 1,503,921</u></u>

Liabilities

Accounts payable and accrued expenses	\$ 42,596
Grant reimbursement payable	<u>150,991</u>
Total liabilities	<u>193,587</u>

Net Assets

Unrestricted	<u>1,310,334</u>
Total liabilities and net assets	<u><u>\$ 1,503,921</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**New Orleans Musicians Assistance Foundation**

For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues and Support			
Government grants	\$ 307,059	\$	\$ 307,059
Contributions	364,225		364,225
In-kind support	743,206		743,206
Events/fundraising income	152,427		152,427
Private grants	142,500		142,500
Investment income	7,613		7,613
Miscellaneous income	1,400		1,400
	<u>1,718,430</u>	<u>-</u>	<u>1,718,430</u>
Net Assets Released From Restrictions			
Program restrictions satisfied through payments	<u>285,608</u>	<u>(285,608)</u>	<u>-</u>
	<u>2,004,038</u>	<u>(285,608)</u>	<u>1,718,430</u>
Expenses			
Program services	1,340,954		1,340,954
Management and development general	58,278		58,278
Fund and program development	148,614		148,614
	<u>1,547,846</u>	<u>-</u>	<u>1,547,846</u>
Increase (Decrease) In Net Assets	456,192	(285,608)	170,584
Net Assets			
Beginning of year, as restated	<u>854,142</u>	<u>285,608</u>	<u>1,139,750</u>
End of year	<u>\$ 1,310,334</u>	<u>\$ -</u>	<u>\$ 1,310,334</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**New Orleans Musicians Assistance Foundation**

For the year ended December 31, 2011

		Support Services		
	Program Services	Management	Fund and Program Development	Total
Administrative and management services:				
New Orleans Musicians Clinic	\$ 134,106	\$ 5,584	\$ 16,751	\$ 156,441
New Orleans Musicians Assistance Foundation	26,061	13,924	47,682	87,667
New Orleans Musicians Assistance Foundation Musician Outreach Program	10,207	3,470	10,411	24,088
New Orleans Musicians Assistance Foundation HECSI/HHAD Cancer Screening Initiative	6,243			6,243
Prevent Death By Lifestyle	1,324			1,324
Save New Orleans' Sounds Initiative	3,274			3,274
Bank charges		348		348
Depreciation		3,100		3,100
Development consulting and expenses			53,019	53,019
Emergency assistance	28,776			28,776
Insurance		7,352		7,352
New Orleans Musicians Clinic Medical Services:				
Ancillary medical care	6,100			6,100
Behavioral health care	5,363			5,363
Dental care	60,056			60,056
Medical laboratory fees	14,764			14,764
Medical staff services	754,478			754,478
Medical supplies	2,120			2,120
Medical transportation	2,136			2,136
Occupancy expense	86,913			86,913
Pharmacy expense	17,811			17,811
Miscellaneous	12,852	5,904		18,756
Musician outreach	161,483			161,483
Postage and shipping	128	1,154		1,282
Printing and publications	92	830		922
Professional dues	876			876
Rent expense	4,127	12,509	12,509	29,145
Supplies	287	1,149	1,436	2,872
Telephone	1,092	1,092	3,276	5,460
Travel	285		1,668	1,953
Utilities		1,862	1,862	3,724
Total expenses	<u>\$ 1,340,954</u>	<u>\$ 58,278</u>	<u>\$ 148,614</u>	<u>\$ 1,547,846</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**New Orleans Musicians Assistance Foundation**

For the year ended December 31, 2011

Cash Flows From Operating Activities:

Increase in net assets	\$ 170,584
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	3,100
Unrealized loss	5,016
Decrease in operating assets:	
Accounts receivable	(6,910)
Government grants receivable	(55,733)
Private grant receivable	100,000
Pledges receivable	29,185
Decrease in operating liabilities:	
Accounts payable and accrued expenses	13,478
Grant reimbursement	150,991
 Total adjustments	 239,127
 Net cash provided by operating activities	 409,711

Cash Flows From Investing Activities:

Purchase of certificates of deposit	(530,000)
Proceeds from redemption of certificate of deposit	200,000
 Net cash used in investing activities	 (330,000)

Net Increase in Cash	79,711
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Cash

Beginning of year	728,063
End of year	\$ 807,774

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

New Orleans Musicians Assistance Foundation

December 31, 2011

Note 1 - NATURE OF ACTIVITIES

New Orleans Musicians Assistance Foundation (the "Foundation") is a non-profit organization, incorporated on April 2, 2007 under the laws of the State of Louisiana. The mission of the New Orleans Musicians Assistance Foundation ("NOMAF") is to keep music alive by sustaining New Orleans musicians and tradition bearers in body, mind, and spirit. The Foundation does this through providing access to health and social services through the New Orleans Musicians' Clinic ("NOMC"), regardless of patients' ability to pay, and by fostering cultural opportunities that advocate for and support this effort.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

b. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB"). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Basis of Presentation (Continued)

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The Foundation does not have any temporary or permanently restricted net assets as of December 31, 2011.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments available for current use, with an original maturity of less than three months from the acquisition date to be cash equivalents. The Foundation does not have any cash equivalents as of December 31, 2011.

e. Investments

Investments in certificates of deposit are measured at fair value in the Statement of Financial Position. Investment income or loss (including gains and losses on investments and interest) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

g. Property and Equipment

Property and equipment is recorded at cost when purchased and at fair market value when received as a donation. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals, and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment have an estimated useful life of five years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

h. Allocated Expenses

The costs of providing the programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimates of the costs involved.

i. In-kind Support

During the year, the Foundation received in-kind support in the form of administrative, program development, and fundraising services from the president and vice president of the Board of Directors. In addition, the Foundation received donated medical staff services from physicians and therapists and free use of medical facilities and office space. The Foundation also received legal and accounting in-kind contributions. Donated services are recognized as contributions

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. In-kind Support (Continued)

if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

j. Income Taxes

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501 (c)(3) of the Internal Revenue Code, and therefore, is not subject to income tax.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of December 31, 2011, the Foundation believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended December 31, 2008 and later remain subject to examination by taxing authorities.

k. Subsequent Events

Management evaluates events subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 29, 2012, which is the date the financial statements were available to be issued.

Note 3 - RESTATEMENT

During 2011, it was discovered that a private grant pledge made in 2010 and credit card contributions made in 2010 were not recorded until 2011. The following table presents the corrections.

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Net assets as of December 31, 2010 as previously reported	\$ 854,142	\$ 156,423	\$ -	\$ 1,010,565
Prior period adjustments:				
Private grant receivable	-	100,000	-	100,000
Pledges receivable	-	29,185	-	29,185
Net assets as of December 31, 2010 as restated	<u>\$ 854,142</u>	<u>\$ 285,608</u>	<u>\$ -</u>	<u>\$ 1,139,750</u>

Note 4 - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and certificates of deposit accounts in several financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2011, the Foundation did not have any cash balances in excess of the insured limits.

Note 5 - INVESTMENTS

The Foundation's certificates of deposit as of December 31, 2011 are summarized below:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Loss</u>
Certificates of deposit	<u>\$ 630,000</u>	<u>\$ 629,552</u>	<u>\$ (448)</u>
			Excess of Market Value Over Cost (Cost Over Market Value)
Balances as of December 31, 2011	<u>\$ 630,000</u>	<u>\$ 629,552</u>	\$ (448)
Balances as of December 31, 2010	<u>\$ 300,000</u>	<u>\$ 304,568</u>	4,568
Decrease in unrealized appreciation			<u>\$ (5,016)</u>

Investment return as of December 31, 2011 is summarized as follows:

Interest income	\$ 12,629
Net unrealized loss	<u>(5,016)</u>
Total investment income	<u>\$ 7,613</u>

Note 6 - FAIR VALUE MEASUREMENTS

Fair value concepts are applied in recording investments. A fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets and liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation uses the market approach for valuing certificates of deposit, which are within Level 1 of the fair value hierarchy. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of December 31, 2011, assets measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposit	<u>\$ 629,552</u>	<u>\$ 629,552</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7 - PROPERTY AND EQUIPMENT

Property and equipment includes the following as of December 31, 2010:

Computer equipment	\$ 13,317
Furniture and fixtures	<u>2,183</u>
	15,500
Less: accumulated depreciation	<u>(11,548)</u>
Net property and equipment	<u>\$ 3,952</u>

Depreciation for the year ended December 31, 2011 was \$3,100.

Note 8 - GOVERNMENT GRANTS

During 2011, the Foundation was awarded funding from the Louisiana Department of Health and Hospitals ("DHH") through the Greater New Orleans Community Health Connection ("GNOCHC"). The original funding of \$412,117 was awarded for sustainability payments, medical claims, and eligible infrastructure expenses. During 2012, the Foundation reimbursed GNOCHC \$150,991 sustainability funding that was in excess of the Foundation's needs. The reimbursement is recorded as grant reimbursement on the Statement of Activities. As of December 31, 2011, the Foundation recorded a government grant receivable of \$55,733 on the Statement of Financial Position for claims incurred in 2011 that will be funded during 2012.

The Foundation and DHH have an agreement to provide services, funded by the Primary Care Access and Stabilization Grant ("PCASG") program. The funding was made available to provide medical services to local residents, marketed to musicians, and to help ensure the capability of the health care infrastructure in New Orleans. Management believes that the Foundation is in compliance with the provisions of the grant agreement and that the findings of an audit performed by DHH, if any, would not have a material impact on the financial statements. For the year ended December 31, 2011, the Foundation received \$ 45,933 of grant funding from the DHH through the PCASG.

Funding received from these grants was approximately 31% of revenue (excluding in-kind support) for the year ended December 31, 2011. All funding from the PCASG is required to be maintained in a separate bank account.

Note 9 - IN-KIND SUPPORT

The fair value of in-kind support and the corresponding expenses for the year ended December 31, 2011 are as follows:

Administrative and management fees	\$ 69,810
Development and consulting expenses	24,000
Musician outreach	38,813
Medical facility occupancy	88,863
Medical staff services	476,336
Professional fees	<u>45,384</u>
Total	<u>\$ 743,206</u>

Note 9 - IN-KIND SUPPORT (Continued)

Two members of the four Member Executive Committee of the Foundation's Board of Directors work substantially full time for the Foundation without compensation, and one member of the Board of Directors serves as the NOMAC medical director without compensation. The value of the services provided by them during 2011 was \$345,000, which is included in in-kind support as medical staff services, administrative and management fees, development and consulting expenses.

Note 10 - LEASE COMMITMENT

The Foundation leases its office space from a related party under a one year operating lease agreement that began on August 1, 2010 and was renewed for one year on August 1, 2011. Monthly lease payments are \$2,429 and future minimum payments under this operating lease total \$17,003. Rent expense totaled \$118,008 for the year ended December 31, 2011, including \$88,863 of in-kind rent.

Note 11 - CONSULTING AGREEMENTS

a. Medical Services

The Foundation has contractual agreements with several network providers to provide various medical services to musicians and others served by the Foundation. The agreements are renewed on an annual basis.

b. Administrative Services

The Foundation has contracted with various individuals to provide administrative and clerical services. The contractual agreements are renewed on an annual basis.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
New Orleans Musicians Assistance Foundation,
New Orleans, Louisiana.

We have audited the financial statements of New Orleans Musicians Assistance Foundation (the "Foundation") as of December 31, 2011 and for the year then ended, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting as described in items 11-01 through 11-03. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Foundation's responses to the findings identified in our audit are described in the accompanying Management's Corrective Action Plan. We did not audit the Foundation's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Certified Public Accountants.

New Orleans, Louisiana,
June 29, 2012.

SCHEDULE OF FINDINGS AND RESPONSES

New Orleans Musicians Assistance Foundation New Orleans, Louisiana

For the year ended December 31, 2011

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ yes ☒ no
- Significant deficiency (ies) identified that are
not considered to be a material weakness ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

b) Federal Awards

New Orleans Musicians Assistance Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2011 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

11-01 Preparation of Financial Statements and Disclosures

Criteria - Adequate internal controls in relation to financial reporting require the Foundation to have the ability to prepare its own financial statements in accordance with generally accepted accounting principles (GAAP), including all required footnote disclosures, or detect misstatements or errors in statements prepared by others.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

11-01 Preparation of Financial Statements and Disclosures (Continued)

Condition - Financial statements and required disclosures were not prepared by the Foundation.

Cause - The management of the Foundation has not determined a need for a financial person possessing the required technical expertise for cost-benefit reasons.

Effect - The independent auditor cannot be a part of the Foundation's internal control over financial reporting.

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing financial statements by carefully reviewing the financial statements, including disclosures.

Views of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the Extent Practical - None.

11-02 Internal Control Structure

Criteria - The internal control structure should be designed to contain segregation of duties to provide reasonable assurance that all transactions are being properly recorded and all assets are properly safeguarded.

Condition - The Organization's internal control structure surrounding the bank reconciliation process could be strengthened under its current design.

Cause - The internal control structure does not contain proper controls to address bank reconciliations.

Effect - A system of internal controls currently exists which could lead to errors or irregularities which may not be detected by those in charge of governance.

Recommendation - The Foundation could improve their current design of the system of controls to address the following: 1) obtaining the proper approval for bank reconciliations on a monthly basis and 2) ensure bank reconciliations agree to the cash balance per the general ledger.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

11-02 Internal Control Structure (Continued)

**Views Of Responsible Officials Of The Auditee - When There is a Disagreement
With the Finding, to the Extent Practical - None.**

11-03 Contributions and Private Grant Receivable

Criteria - Contribution and private grant revenue should be recorded upon the donor's and grantor's unconditional pledge and/or receipt of funding from the donor.

Condition - Contribution funding for 2010 through credit card charges were not recorded until 2011; thus, resulting in a correction of an error on the financial statements. In addition, a private grant pledge made in 2010 was not recorded until 2011 which also resulted in a correction of an error.

Cause - The Foundation did not perform the processes required to have credit card charges released into its checking account on a timely basis and the Foundation did not record the private grant pledge in the proper period.

Effect - Contribution and private grant revenue was overstated for 2011 prior to the correction of the errors.

Recommendation - The Foundation should perform processes required to release credit card charges into its checking account on a timely basis and record private grant pledges in the period the grant pledge was made.

**Views Of Responsible Officials Of The Auditee - When There is a Disagreement
With the Finding, to the Extent Practical - None.**

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

New Orleans Musicians Assistance Foundation New Orleans, Louisiana

For the year ended December 31, 2011

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

10-01 Preparation of Financial Statements and Disclosures

Recommendation - Management and those charged with governance can mitigate the lack of qualifications and expertise in preparing financial statements by carefully reviewing the financial statements, including disclosures.

Management's Corrective Action - Unresolved - Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. (See 11-01).

10-02 Internal Control Structure

Recommendation - The Foundation could improve their current design of the system of controls to address the following: 1) lack of segregation of duties, 2) obtaining the proper approval for bank reconciliations on a monthly basis, 3) ensure bank reconciliations agree to the cash balance per the general ledger.

Management's Corrective Action - Partially resolved - Bank reconciliations will be reconciled to the general ledger and reviewed by those in charge of governance on a timely basis. (See 11-02).

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Compliance and Other Matters

10-03 Primary Care and Stabilization Grant ("PCASG") Grant Expenditures

Recommendation - The Foundation should continue to actively monitor the federal grant expenditures to ensure all expenses relate to services provided and allowable costs.

Management's Corrective Action - Resolved - Management has actively monitored federal grant expenditures to ensure that they relate to services provided and allowable costs.

10-04 Approval of PCASG Invoices

Recommendation - The Foundation should ensure that all PCASG and other invoices include proper approval prior to payment.

Management's Corrective Action - Resolved - PCASG and other invoices include proper approval prior to payment.

10-05 Health Information Technology Charged to PCASG

Recommendation - The Foundation should ensure that all expenditures charged to the PCASG are allowable under the grant agreement.

Management's Corrective Action - Resolved - 2011 expenditures charged to the PCASG grant were allowable.

10-06 Timely Submission of Required Financial Reports

Recommendation - The Foundation should create and maintain a record of all monthly Louisiana Public Health Institute ("LPHI") expenditure report submission dates.

Management's Corrective Action - Resolved - The Foundation has maintained a record of all monthly LPHI expenditure report submission dates.

Section II - Internal Control and Compliance Material to Federal Awards

The Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2010, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audit of State, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2010.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

New Orleans Musicians Assistance Foundation
New Orleans, Louisiana

For the year ended December 31, 2011

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

11-01 Preparation of Financial Statements and Disclosures

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing financial statements by carefully reviewing the financial statements, including disclosures.

Management's Corrective Action - Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles.

11-02 Internal Control Structure

Recommendation - The Foundation could improve their current design of the system of controls to address the following: 1) obtaining the proper approval for bank reconciliations on a monthly basis and 2) ensure bank reconciliations agree to the cash balance per the general ledger.

Management's Corrective Action - Management and those charged with governance will implement a system of internal controls to obtain proper approval for bank reconciliations on a monthly basis and ensuring that bank reconciliations agree to the cash balance per the general ledger.

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

11-03 Contributions and Private Grant Receivable

Recommendation - The Foundation should perform processes required to release credit card online charges into its checking account on a timely basis and record private grant pledges in the period the grant pledge was made.

Management's Corrective Action - Management will implement processes and controls to ensure all credit card charges are released into the checking account on a timely basis. The Foundation will also record the credit card online donations in the proper period.

Section II - Internal Control and Compliance Material to Federal Awards

The Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2011, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audit of State, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2011.